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30-10-213 ()

with paragraph (1) of this subsection. If the projection period prior the certification of the new construction exceeds three months, the provider shall be required to file a historical cost report for this period for the purpose of retroactive settlement in accordance with paragraph (1) of this subsection.

(5) An interim settlement, based on a desk review of the historical cost report for the projection period, may generally be determined within 90 days after the provider is notified of the new rate determined from such cost report. The final settlement shall be based on an audit of the historical cost report.

(g) Balance sheet requirement. A balance sheet prepared in accordance with cost report instructions shall be filed as part of the cost report forms for each provider. The effective date of this regulation shall be October 1, 1991. (Authorized by and implementing K.S.A. 1990 Supp. 39-708c; effective, T-30-12-28-90, Dec. 28, 1990; effective March 4, 1991; amended Oct. 1, 1991.)

(h) Any facility on projected status on October 1, 1991 will continue on projected status to the end of the projection period. The rate will then be developed according to this subpart.

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**Methods and Standards for Establishing Payment Rates-
Skilled Nursing and Intermediate Care Facility Rates**

(ICFs/MR)

Audits

1. The SRS Office of Audit Services uses a standardized ICF/MR desk review program and a standardized field audit program.
2. The State shall perform a desk review of all cost reports within six months after receipt.
3. The State shall provide for periodic audits of the financial and statistical records of participating providers.
4. Installment recoupments shall be allowed if the Department determines that a lump sum recoupment could result in the provider being unable to provide a standard level of care. Any payment schedules in excess of twelve months shall be approved by the Secretary.

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INSTRUCTIONS FOR COMPLETING
THE ICF-MR
FINANCIAL AND STATISTICAL REPORT
(FORM MH&RS-2004)

PURPOSE

The purpose of this report is to obtain the client-related costs incurred by intermediate care facilities for the mentally retarded (ICF-MR) in providing services according to applicable state and federal laws, regulations, and quality and safety standards. The regulations governing the completion of this report and adult care home reimbursement can be found in the Kansas Administrative Regulations, Chapter 30, Part 200.

SUBMITTAL INSTRUCTIONS

1. One blank Form MH&RS-2004, ICF-MR Financial and Statistical Report, is sent by Mental Health and Retardation Services to each ICF-MR in the Medicaid/Medicaid Program before the end of the home's reporting period.
2. Send two copies of the completed form MH&RS-2004 and one copy of the form AU-3902 (Census Summary) for each month of the reporting period to the following address:

ICF-MR Reimbursement
Mental Health and Retardation Services
Department of Social & Rehabilitation Services
Docking State Office Building, 5th Floor
915 S.W. Harrison
Topeka, Kansas 66612

Attention: Administrator, ICF-MR Reimbursement

3. All inquiries on completion of these forms should be directed to the Administrator, ICF-MR Reimbursement, Mental Health and Retardation Services, at (913) 296-3561.

GENERAL

1. COMPLETE THE FORMS ACCURATELY AND LEGIBLY. ANY REPORT THAT IS INCOMPLETE OR IS NOT LEGIBLE WILL BE PROMPTLY RETURNED TO THE PROVIDER. THIS MAY POSTPONE THE RATE EFFECTIVE DATE AND RESULT IN ADDITIONAL PENALTIES FOR LATE FILINGS. KAR 30-10-213
2. ALL TOTALS MUST BE ROUNDED TO THE NEAREST DOLLAR.
3. DO NOT ADD LINES TO THE FORMS. Use "OTHER" lines for client-related expenses not designated on the Expense Statement, Schedule A. Attach a schedule if necessary.
4. DO NOT CROSS OUT OR RETITLE LINES ON THE FORMS. DO NOT INCLUDE MORE THAN ONE AMOUNT PER LINE. IF MORE THAN ONE AMOUNT OR JOURNAL ENTRY IS COMBINED, SUBMIT AN ATTACHMENT WITH EXPLANATION.

6. USE THE ACCRUAL METHOD OF ACCOUNTING IN REPORTING FINANCIAL DATA. Revenues are reported in the period when earned, and not when received, and expenses are reported when incurred, not when paid.
7. ESTIMATES OF REVENUES AND EXPENSES ARE NOT ACCEPTABLE.
8. ALL COST REPORTS, HISTORICAL OR PROJECTED, MUST BE FOR A PERIOD OF 12 CONSECUTIVE MONTHS EXCEPT AS PROVIDED IN KAR 30-10-213. Providers who have filed a projected cost report must file a historical report for the projection period and a historical report for the first fiscal year following the end of the projection period.
9. ALL COST REPORTS MUST BE RECEIVED BY THE AGENCY NO LATER THAN THE CLOSE OF BUSINESS ON THE LAST DAY OF THE THIRD MONTH FOLLOWING THE END OF THE REPORTING PERIOD (FISCAL YEAR END OR PROJECTION). KAR 30-10-213. The provider may request a one month extension of the due date by submitting the request in writing to the address in the Submittal Instructions within the time period allowed for filing the original cost report. The extension will be granted if the agency determines that the provider has shown good cause. NOTE: IF A COST REPORT IS RECEIVED AFTER THE DUE DATE WITHOUT AN APPROVED TIME EXTENSION, THE PROVIDER IS SUBJECT TO THE PENALTIES SPECIFIED IN KAR 30-10-213.
10. EACH ICF-MR MUST MAINTAIN ADEQUATE ACCOUNTING AND/OR STATISTICAL RECORDS. Inadequate recordkeeping is cause for suspension of payments or reduction to the lowest rate(s) for the level(s) of care provided. KAR 30-10-211.
11. REIMBURSEMENT RATES (PER DIEM) FOR ICF's-MR: The per diem rate of reimbursement for those facilities participating in the medicaid/medikan program is based on the reported costs and client days as adjusted by a desk review of the cost report. Each cost report is also subject to a field audit to arrive at a final settlement for the period the per diem rate was based upon.
12. KANSAS ADMINISTRATIVE REGULATIONS: Copies of the regulations governing ICF-MR medicaid/medikan reimbursement may be obtained at a cost by sending a request to the Department of Social and Rehabilitation Services to the address given in the submittal instructions. NOTE: SINCE THE REGULATIONS MAY BE CHANGED, THE PREPARER OF THE COST REPORT SHOULD CAREFULLY REVIEW THE MOST RECENT VERSION PRIOR TO COMPLETING THE FORM MH&RS-2004 FOR SUBMISSION.

COST REPORT INSTRUCTIONS

COVER PAGE

A) Provider Identification

LINES 11-19 Complete these lines as indicated on the report form.

LINE 21 THROUGH 25: Check Only One Box.

LINE 21 Check if the cost data is for the provider's normal fiscal year and does not include any portion of a projection period.

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- LINE 22 Applies to projected cost reports for new providers that are not occupying a newly constructed facility.
- LINE 23 Applies only to projected cost reports related to newly constructed facilities. If a provider occupies a newly constructed facility they should check this box. Providers that have increased total beds available through new construction to an existing facility by 25% or more may file a projected cost report and should check this box.
- LINE 24 Applies only to providers filing historical cost reports for the same 12 month period as their projection year.
- LINE 25 Applies to providers in the process of converting from the projection period to their normal fiscal year and the report period includes a portion of the projection period.

LINE 26 THROUGH 32 Check only one box. Check the type of business organization which most accurately describes your facility or explain on line 32.

B) Facility Beds:

LINE 43 THROUGH 45 Enter the number of licensed beds available for each category listed. If a change in the number of beds has occurred during the reporting period, show the increase (or decrease) and the date of the change. Total the categories on line 45. Attach a schedule if additional space is needed to show all changes in the number of licensed beds.

LINE 46 TOTAL BED DAYS AVAILABLE: If the number of beds available throughout the year has not changed, the total number of bed days is computed by multiplying the number of beds times 365 (366 in leap years). If the number of beds change during the period, compute as shown in the example below.

Assume a home of 20 beds was increased on July 1 to 25 beds, the number of bed days for the period would be determined as follows:

January 1 to June 30 - 181 days x 20 beds = 3,620 bed days
July 1 to December 31 - 184 days x 25 beds = 4,600 bed days
8,220 bed days for period

LINE 48 TOTAL CLIENT DAYS: The total number of client days shall be determined in accordance with K.A.R. 30-10-225. A client day means that period of service rendered to a client between the census-taking hours on two successive days and all other days for which the provider receives payment, either full or partial, for any Medicaid/Medikan or non-Medicaid/Medikan client who was not in the home (K.A.R. 30-10-1a). If both the admission and discharge occur on the same day, it shall count as a client day. If the provider does not make refunds on behalf of a client for unused days in the case of death or discharge, and if the bed is available and actually used by another

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client, these unused days shall not be counted as a client day. Any bed days paid for the client before an admission date shall not be counted as a client day. The total client day count for the cost report period shall be accurate. An estimate of the days of care provided shall not be acceptable. The total client days must agree with the 12 month total as submitted on the form AU 3902.

Day care and day treatment shall be counted as one client day for 18 hours of service. The clients of day care/treatment shall be listed on the monthly census summary (AU 3902) with the number of hours reflected on the appropriate day column.

OCCUPANCY PERCENTAGE - Agency staff will determine this percentage.

LINE 48a TOTAL MEDICAID/MEDIKAN DAYS - Enter the total number of Medicaid/Medikan days reported on the AU 3902's. Partial as well as full paid days must be included (please refer to KAR 30-10-225).

LINE 50 AGENCY USE ONLY.

LINE 51 If the provider is a publicly held entity, provide annual reports and Form 10-K.

Declaration by Owner and Preparer: The cost report is not considered complete unless signed by a representative of the facility (i.e. owner, officer, administrator, etc.) and the preparer. If the facility representative and the preparer are the same individual, please sign both spaces. PLEASE READ DECLARATION STATEMENT.

SCHEDULE A - EXPENSE STATEMENT

ATTACH A COPY OF THE WORKING TRIAL BALANCE USED TO PREPARE THE COST REPORT.

Column 1 - Per Books or Federal Tax Return: Report the expenses reflected in the accounting records under the appropriate cost center (i.e. Administration, Ownership, Plant Operating, Room and Board, Habilitation and Non-Reimbursable). The total of all the expense lines (Column 1 - Line 210) shall reconcile to the accounting records and/or income tax return.

Column 2 - Provider Adjustments: Enter the necessary adjustments to the expenses reported in Column 1 that are not client-related according to the regulations and/or offset expense recoveries reported in the Revenue Statement (Schedule G). Attach a schedule if necessary.

Column 3 - Client Related Expense: Enter the difference between Column 1 and Column 2. Please complete Column 3 even if no adjustments were made in Column 2, except for lines 191 through 209.

Columns 4 & 5 - SRS Adjustments/Adjusted Client Related Expenses: Leave blank - FOR AGENCY USE ONLY.

Expense Lines (General): All costs shall be reported on the designated expense lines. If all expense classifications are not addressed, report the amount on the line and in the cost center that most nearly describes the expense. For example, telephone expense is included in the Administration cost center. Therefore, the expense for telephone lines to the nurses' station shall not be reported in the Habilitation cost center. See specific line instructions for more detail. DO NOT CROSS OUT OR USE A LINE DESIGNATED FOR A PARTICULAR TYPE OF EXPENSE FOR SOME OTHER TYPE OF EXPENSE.

THE SPECIFIC INSTRUCTIONS, WHICH FOLLOW, DO NOT COVER EACH LINE ITEM OF THE EXPENSE STATEMENT, BUT ARE DESIGNED TO COVER ITEMS WHICH MAY REQUIRE ADDITIONAL EXPLANATION OR EXAMPLES.

All Salaries - Lines - 101, 102, 103, 126, 142, 149, 154, 161, 162, 163, 171 and 173. Salaries are compensation paid for personal services that were reported to the Internal Revenue Service (IRS). These lines, plus the owner/related party compensation lines, shall reconcile to your IRS 941 Report forms as adjusted by benefits or other bonuses.

Each facility must have a licensed administrator or QMRP. Non-owner/related party administrator compensation shall be reported on line 101. Owner/related party administrator compensation shall be reported on 107. Salaries of the administrator and co-administrator paid as central office costs shall be reported on lines 101 and 102.

Salaries and benefits of the administrator and co-administrator paid through the central office shall be reported on lines 101 and 102.

Employee Benefits - Lines 104, 127, 141, and 164 - Allocate employee benefits to the benefit lines in each cost center based on the percentage of gross salaries or the actual amount of expense incurred in each center. Employee benefits, if offered to substantially all employees may include but are not limited to:

- 1) Employer's share of payroll taxes
- 2) State and federal unemployment contributions
- 3) Workers' compensation insurance
- 4) Group health and life insurance
- 5) Employee "non-cash" gifts
- 6) Moving/relocation expenses
- 7) Employee retirement plans
- 8) Employee parties - except alcoholic beverages
- 9) Profit sharing
- 10) Physical examinations
- 11) Malpractice insurance that specifically protects employees. This shall be specifically identified on the insurance bill from the agent.
- 12) Employee Uniforms

Employee benefits shall not include:

- 1) Employee cash bonuses and/or incentive awards - these payments shall be considered additional compensation and be reported on salary lines.

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- 2) Benefits given to owner/related parties but not to substantially all employees - these benefits shall be treated as additional compensation and be reported on owner/related party compensation lines.

Employee benefits with restrictions include:

- 1) Employee benefits offered to select non-owner/related party employees shall be reported as a benefit in the cost center in which the salary is reported.

Consultants - lines 106, 144, 166, and 175 through 180. Report all fees paid to professionally qualified non-salaried consultants. List the titles of other habilitation consultants on line 180.

NOTE: Line 106 - Management Consulting Fees. Include only cost of arms-length management consultant fees. Owner/related party management fees shall be reported on line 107. Also see instructions to line 108.

Owners and Related Party Compensation - Lines 107, 128, 143, 165, 172 and 193. Record the amount earned and reported to IRS for client related services of owner/related parties. In order to be allowed, the compensation must be paid within 75 days after close of the fiscal period. The amount reported must be in agreement with entries made in Schedule B. Compensation may be included in allowable cost only to the extent that it represents reasonable remuneration for managerial and administrative functions, professionally qualified habilitation services and other services related to the operation of the ICF-MR, and was rendered in connection with client care. All compensation paid to an owner/related party shall appear on the appropriate lines above regardless of the label placed on the services rendered. See K.A.R. 30-10-221. NOTE: Line 143 is for reporting owner/related party compensation for Dietary, Laundry and Housekeeping services

"Other" - Lines 117, 118, 138, 148, 153, 158, 170, 183, 188, and 208. "Other" or blank lines have been provided in each cost center. Types of expense entered on these lines shall be identified and be applicable to the cost center unless further restricted. Attach a schedule to the cost report if necessary. Failure to do so can cause unnecessary delay in the processing of your cost report and can result in a delayed rate effective date of your new rate.

Line 105 - Office Supplies and Printing. Report all office supplies, postage, duplicating and printing expenses on this line. The printing and duplicating of forms are considered to be an administrative expense and shall not be reported in any other cost center. The exception to this rule is habilitation records forms which may be reported on line 168, nursing supplies.

Line 108 - Allocation of Central Office Costs. All providers with more than one facility and pooled administrative costs shall report allocated costs on line 108. All facilities, including the central office, must use the same reporting period. (KAR 30-10-213 & 30-10-224). ATTACH A DETAILED SCHEDULE LISTING THE CENTRAL OFFICE COSTS AND METHOD OF ALLOCATION TO ALL FACILITIES AND PROGRAMS.

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Allowable central office costs are subject to the following conditions:

- Purchases from related-party vendors - Costs of client-related goods and services supplied to the central office by related parties will be allowed at the lower of the cost to the vendor or the charge to the central office;
- Management consulting fees - If the management services company is owned or controlled by the company or person(s) that owns or controls the facilities, the management fees must be reported as central office costs subject to the limits of related-party transactions;
- Salaries of owner/related parties - Any of these costs that are included in central office costs must be reported on line 107;
- Central office bulk purchases of ICF-MR supplies - These expenses may be allocated to the supplies lines in the appropriate cost centers; and
- Direct care consultants - These costs may be reported on the applicable consultant lines in the appropriate cost centers.

Line 109 - Telephone and Other Communication. Report routine telephone and communications expense on this line regardless of the department or cost center benefit.

Line 110 - Travel - Report administrative and staff travel expenses that are related to client care. VEHICLE COSTS MUST BE DOCUMENTED BY DETAILED EXPENSE AND MILEAGE RECORDS KEPT AT THE TIME OF THE TRAVEL ACTIVITY. Estimates shall not be acceptable.

EXCEPTIONS:

- 1) Long term or recurring vehicle lease expense for business purposes shall be reported on line 123.
- 2) Expenses associated with the personal use of a vehicle are not allowable unless reported within otherwise allowable limits of compensation.
- 3) Costs related to "in town" entertainment are non-allowable.
- 4) Travel expenses related to PROVIDER board meetings are non-allowable.
- 5) Client transportation expense shall be reported on line 182.
- 6) Vehicle maintenance and repair shall be reported in the Plant Operating Cost Center.

Line 111 - Advertising - Report allowable advertising expense on this line. This line shall be used for employment advertisements and ads in telephone directories. Fund raising, public relations, advertising for client utilization and sponsorships are not allowable and shall be reported on line 195.

Line 112 - Licenses and Dues - Report all licenses and dues expense on this line. Personal automobile club memberships are not allowable unless reported as compensation.

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Line 113 - Legal, Accounting and Data Processing (DP) - Report legal and accounting expense on this line, except fees paid to owner/related party firms or individuals which must be reported on the owners compensation line 107. Data processing expense related to financial management (i.e. accounting, payroll, budgeting, etc.) shall be reported on this line.

Line 114 - Insurance - Report property and liability insurance expense on this line. Workers' compensation and employee health and life insurance expense shall be reported on employee benefit lines. The premium for "Key Employee" life insurance (when the corporation is made the beneficiary of the policy) is not an allowable expense, and shall be reported on line 196.

Line 115 - Interest - Report the interest expense related to operating loans and equipment purchases. Submit copies of each new note for the year originated.

Line 117 or 118 - Other - Include amortization of administrative organizational and/or start-up costs. Also include client related expenses for education of administrative staff.

Line 122 - Interest on Real Estate Mortgage - Report all interest expense incurred for the acquisition or construction of real estate. Describe fully on Schedule D. Include amortization expense for loan costs. The interest for equipment and furnishings purchased along with the building shall be reported on this line.

Line 123 - Rent or Lease Expense - Report all recurring rent and lease expense regardless of the item and use.

Line 124 - Amortization of Leasehold Improvement. Report only amortization of leasehold improvements on this line. Leasehold improvements are defined as betterments and additions made by the lessee to the leased property. Such improvements become the property of the lessor after the expiration of the lease.

Line 125 - Depreciation Expense - This amount must be computed by the straight-line method. Such amounts must be reconciled to a detailed depreciation schedule. The determination of capitalized property must be in conformity with Generally Accepted Accounting Principles. If an item or related items purchased in bulk (beds, chairs, tables, etc.) exceed a cost of \$1,000, they shall be capitalized. ATTACH A DETAILED DEPRECIATION SCHEDULE TO THE COST REPORT.

Line 121 - Real Estate and Personal Property Taxes - Report all real and personal property taxes on this line.

Line 126 - Salaries - Report salaries of maintenance personnel who perform carpentry, mechanical, electrical, plumbing, heating, cooling and painting duties.

Line 129 - Utilities Except Telephone - Report expenses for gas, water, electricity, heating oil, etc. Cablevision may be considered a utility or client activity expense.